



**Today, hundreds of thousands of individuals could be eligible for the Health Coverage Tax Credit (HCTC). The following is a list of the most frequently asked questions about the tax credit, updated for the 2009 tax year.**

## ***General Information***

### ***1. What is the HCTC and who is eligible?***

The Health Coverage Tax Credit (HCTC) is an important benefit that—as of May 2009—pays 80% of a qualified health plan premium for eligible individuals, up from 65% for the months of January through April. The HCTC is a unique tax credit that individuals can receive either monthly as their health plan premium becomes due or yearly as a credit on their federal tax return. The Internal Revenue Service (IRS) administers the HCTC. The following individuals are potentially eligible for the tax credit: individuals certified by the U.S. Department of Labor to receive certain benefits under the Trade Adjustment Assistance (TAA) program, Alternative Trade Adjustment Assistance (ATAA) program, or Reemployment Trade Adjustment Assistance (RTAA) program, and some individuals who receive benefits from the Pension Benefit Guaranty Corporation (PBGC).

### ***2. What is Trade Adjustment Assistance?***

Trade Adjustment Assistance (TAA) is a program administered by the U.S. Department of Labor for workers who lose their jobs, or whose hours of work and wages are reduced as a result of increased imports or shifts in company production to foreign countries. TAA includes a variety of benefits and reemployment services to help unemployed workers prepare for and obtain suitable employment.

Workers may receive assistance via skill assessments, job search workshops, job development, job referrals, and job placement. In addition, workers may be eligible for training, job search allowances, relocation allowances, and the HCTC. Trade Readjustment Allowances (TRA) may be payable to eligible workers following their exhaustion of unemployment insurance benefits. Usually, TRA benefits will be paid only if an individual is enrolled in a TAA-approved training program or has a training waiver. Contact the U.S. Department of Labor Employment and Training Administration (DOLETA) for more information.

### ***3. What is Alternative Trade Adjustment Assistance?***

The Alternative Trade Adjustment Assistance (ATAA) program is an alternative assistance program for older workers who are certified as eligible to apply for Trade Adjustment Assistance. ATAA is designed to allow TAA-eligible workers age 50 and older (for whom retraining may not be appropriate) who find reemployment to receive a wage subsidy to help bridge the salary gap between their old and new employment. To receive the ATAA benefits, workers must be TAA- and ATAA-certified. Contact the U.S. Department of Labor Employment and Training Administration (DOLETA) for more information.

### ***4. What is Reemployment Trade Adjustment Assistance?***

Reemployment Trade Adjustment Assistance (RTAA) is a program that went into effect for workers' petitions on or after May 18, 2009. To be eligible for this Department of Labor program, workers must be 50 years old or older and employed full-time, unless the worker also is enrolled in TAA-approved training and employed at least 20 hours per week. The program does not set a deadline for reemployment, and the maximum benefit is for \$12,000 over a period of up to two years.



## **General Information (continued)**

### **5. What is the Pension Benefit Guaranty Corporation (PBGC)?**

The PBGC is a federal corporation that insures the pension benefits of about 44 million workers and retirees in more than 30,000 private sector defined benefits pension plans. The PBGC was created on September 2, 1974 when the Employee Retirement Income Security Act (ERISA) of 1974 was enacted.

A defined benefits pension plan that does not have enough money to pay benefits may be terminated if the employer responsible for the plan faces severe financial difficulty, such as bankruptcy, and is unable to maintain the plan. In cases such as these, the PBGC then pays pension benefits under the terms of the plan, subject to legal limits, to plan participants and beneficiaries. The majority of the plans the PBGC has trusteeed have been in the manufacturing, steel, and airline industries. To learn more about the PBGC, please visit its website at [www.pbgc.gov](http://www.pbgc.gov).

### **6. How can I begin to determine if an individual is eligible for the HCTC?**

Ask the individual if he or she is now, or was during any part of the tax year:

1. Receiving benefits under the TAA, ATAA, or RTAA programs.
2. Receiving payments from the PBGC and is at least 55 years old or older.

If the individual answers "yes" to one of these questions, then he or she is potentially eligible to receive the HCTC.

### **7. What are the main reasons an individual would not be eligible for the HCTC?**

Individuals are not eligible for the HCTC if they:

- Are not receiving pension payments from the PBGC or benefits under the TAA, ATAA, or RTAA programs.
- Are enrolled in Medicare or have another form of disqualifying health coverage.
- Are not enrolled in a qualified health plan option.
- Are imprisoned by a federal, state, or local authority.
- Can be claimed as a dependent on another individual's federal tax return.
- Are receiving the COBRA Premium Reduction.

### **8. Where can I get more information about HCTC eligibility requirements?**

Visit [www.irs.gov](http://www.irs.gov) and search for "HCTC." You also may call the HCTC Customer Contact Center toll-free at 1-866-628-HCTC (4282). If you have a hearing impairment, call 1-866-626-4282 (TTY).

### **9. Do I need a power of attorney to call the HCTC Customer Contact Center on behalf of my client?**

No. However, as your client's tax preparer, you must be authorized by him or her to discuss his or her HCTC account. The eligible individual may authorize the tax preparer on the HCTC Registration Form or call the HCTC Customer Contact Center to request that the tax preparer be set up as a third party designee.

### **10. If an individual received the HCTC last year, is he or she automatically eligible to receive it this year?**

No. Eligibility for the HCTC is determined on a monthly basis. For each month an individual receives the credit, whether monthly or yearly, he or she also must be a TAA/ATAA/RTAA or PBGC recipient and enrolled in a qualified health plan.



## General Information (continued)

### 11. What is a qualified health plan?

A qualified health plan is one that is allowable under the HCTC legislation. Only the following types of health plans qualify for the HCTC:

- a. **COBRA:** Consolidated Omnibus Budget and Reconciliation Act (COBRA) is federal legislation that lets employees extend their job-based health coverage if they lose their job or run into other qualifying events that cause them to lose their health insurance. The HCTC can pay for COBRA health insurance expenses if the eligible person pays more than 50% of the cost of coverage.
- b. **State-qualified health plan:** This coverage type consists of health plans that a state's Department of Insurance approves as meeting the requirements of the Trade Act of 2002. Not all states have a health plan that qualifies for the HCTC.
- c. **Spousal coverage:** This is coverage under a group plan that is available through the employment of an eligible individual's spouse. If an eligible individual's spouse has employer-sponsored coverage, and the spouse pays more than 50% of the cost with after-tax dollars, it is considered one of the qualified health plans for the HCTC. If the spouse's coverage is COBRA, the individual has the option to enroll in the monthly HCTC; if it is not COBRA, the individual can only claim the yearly HCTC when filing his or her federal tax return. Additional restrictions apply to ATAA and RTAA benefit recipients.
- d. **Non-group/individual health plan:** This coverage type is an individual policy for a single person or family. It is usually provided under a contract purchased through an insurance company, agent, or broker. In order to have the HCTC cover this type of coverage, the non-group/individual health plan must have started at least 30 days before the person left the job that made him or her eligible for TAA, ATAA, RTAA, or PBGC benefits. \*

*\* Other types of health coverage may be qualified for the HCTC, including health plans associated with Voluntary Employee Benefit Associations (VEBAs) and trust funds. You should call the HCTC Customer Contact Center for more information.*

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*\* Other types of health coverage may be qualified for the HCTC, including health plans associated with Voluntary Employee Benefit Associations (VEBAs) and trust funds. If you are unsure if your VEBA qualifies, please call the HCTC Customer Contact Center for more information.*

### 12. How do I find out if a particular state has state-qualified health plans for the HCTC?

For a listing of HCTC state-qualified plans, visit the IRS website at [www.irs.gov](http://www.irs.gov) and search for "HCTC."



## **Tax Forms**

**13. What IRS publications can I use to help individuals receive the yearly HCTC on their tax return?**

IRS Publication 502, Medical and Dental Expenses, and Publication 17, Your Federal Income Tax for Individuals, provide information about the HCTC. These publications may be obtained through the Web at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

**14. What IRS tax form should be used to receive the yearly HCTC on a federal tax return?**

Eligible individuals should use IRS Form 8885, Health Coverage Tax Credit, to receive the yearly HCTC on their federal tax returns. This form helps them determine if they are eligible and provides instructions for receiving the tax credit. They should complete Form 8885, attach the supporting documents, and file it along with Form 1040, 1040NR (long form), 1040PR (Puerto Rico), or 1040SS (self-employed). Form 8885 cannot be filed with 1040EZ or 1040A (short form).

**15. What supporting documents should be submitted for the yearly HCTC on a federal tax return?**

Whether filing electronically or on paper, the following must be attached for all types of qualified health coverage: health insurance bills and proof of payment (for example, a cancelled check) for any amounts included on Line 2 of IRS Form 8885. For COBRA, appropriate supporting documents like the COBRA election letter also must be attached. See the instructions of Form 8885 for detailed guidance on what to submit as supporting documents.

**16. If the IRS Form 8885 is filed electronically, how should I provide the required supporting documents?**

When filing electronically, please be sure to attach required supporting documents to Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return.

**17. Where can I obtain IRS Form 8885?**

You can obtain the form from the IRS website or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

**18. Who sends IRS Form 1099-H (HCTC) and why?**

The HCTC Program sends IRS Form 1099-H (HCTC) to individuals who received one or more monthly HCTC payments during the tax year. Form 1099-H (HCTC) displays the amount of the monthly tax credit that was paid towards the qualified health plan premiums, as well as any reimbursements paid to the taxpayer. This form should be kept by the individual for his or her records and not filed with the individual's federal tax return.

**19. What is the reimbursement credit?**

Individuals who receive the monthly HCTC can receive reimbursement for payments they made directly to their health plans while they were eligible for—but still enrolling in—the monthly HCTC.



## ***HCTC Candidates by Industry and Geography***

***20. Are there geographic areas that have a greater likelihood of including candidates for the HCTC?***

Yes. The population of candidates for the HCTC Program is larger in certain geographic areas; however, new companies are certified as trade-impacted by the U.S. Department of Labor every month, and the Pension Benefit Guaranty Corporation trustees new plans every year. Therefore, HCTC candidate concentration locations are ever changing.

***21. Can I get a list of companies whose pensions have been taken over by the PBGC?***

Yes. Refer to the PBGC website at [www.pbgc.gov](http://www.pbgc.gov) for this information.

***22. Can I get a list of companies whose employees have recently been certified for TAA benefits?***

Yes. You should refer to the U.S. Department of Labor Employee and Training Administration website at [www.doleta.gov](http://www.doleta.gov) for this information.